

JANUARY 27, 2009 FEDERAL BUDGET TAX HIGHLIGHTS

The highlights of the **proposed** tax changes from the recent Federal budget are outlined below.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. Please contact our tax group if you have any questions on the impact of these proposed changes.

INDIVIDUALS

Personal Amounts

- For 2009, the basic personal amount, the spousal and common law partner amount, and the eligible dependent amount will be increased to \$10,320 (2008 - \$9,600). The increased amounts will be indexed to inflation for subsequent years.

Personal Tax Rates

- The 2009 federal tax brackets will be increased as follows:

Amount Taxable	Tax Rate
Income less than \$40,727 (2008 - \$37,885);	15.00%
Income greater than \$40,726 and less than \$81,453 (2008 - \$75,769);	22.00%
Income greater than \$81,452 and less than \$126,264 (2008 - \$123,184); and	26.00%
Income greater than \$126,264	29.00%

- The bracket thresholds will be indexed to account for inflation for 2010, and subsequent taxation years.

Age Credit

- For 2009, the amount on which the Age Credit is based will be increased by \$1,000 to \$6,408, effective January 1, 2009, and indexed thereafter.



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Home Buyers Plan (“HBP”)

- The Budget proposes to increase the HBP withdrawal limit from \$20,000 to \$25,000.
- The increase in the HBP withdrawal limit will apply to the 2009 and subsequent calendar years in respect of withdrawals made after January 27, 2009.

Home Renovation Tax Credit (“HRTC”)

- The HRTC will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010.
- The credit is 15% which will apply to eligible expenditures exceeding \$1,000, and not more than \$10,000, resulting in a maximum credit of \$1,350 (\$9,000 x 15%).

First-Time Home Buyer’s Tax Credit

- The Budget proposes to introduce a new non-refundable tax credit for first-time home buyers who acquire a qualifying home with a closing date that is after January 27, 2009.
- The \$750 maximum tax savings will be available in the taxation year in which the home is acquired.

Mineral Exploration Tax Credit

- The Budget proposes to extend the eligibility for the 15% mineral exploration tax credit for one year, to flow through share agreements entered into on or before March 31, 2010. The credit will be available for expenditures incurred to the end of 2010, or to the end of 2011 pursuant to the “look-back” rules.

BUSINESS

Small Business Limit

- The Budget proposes to increase the amount of small business income eligible for the Federal small business rate from \$400,000 to \$500,000 as of January 1, 2009.

Capital Cost Allowance (“CCA”)

- **Manufacturing and Processing** – The Budget proposes a 50% straight-line accelerated CCA treatment be made available for machinery and equipment that is acquired in 2010 and 2011.
- **Computer equipment** – The Budget proposes a temporary 100% CCA rate for eligible computers and software acquired after January 27, 2009 and before February, 2011 (full deduction available as not subject to the half-year rule).

Interest Deductibility

- The Budget proposes that Section 18.2 of the Income Tax Act (double dip-financing rules), introduced in the 2008 Budget to become effective in 2012, be repealed.

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OTHER MEASURES

Administrative Matters

- **Electronic Filing of T2s** – Mandatory electronic filing of the corporate income tax return if a company's annual gross revenues exceed \$1 million for a taxation year ending after 2009 (exceptions could include non-resident corporations, insurance corporations and corporations filing in a functional currency).
- **Information Tax Returns** – Mandatory electronic filing of tax returns such as T4s, T5s and T101s will be required if a taxpayer is issuing more than 50 slips in total (previously 500 slips).
- **Corporate Income Tax Return Filings** – A penalty will be introduced to apply to corporate income tax returns filed in an incorrect format.